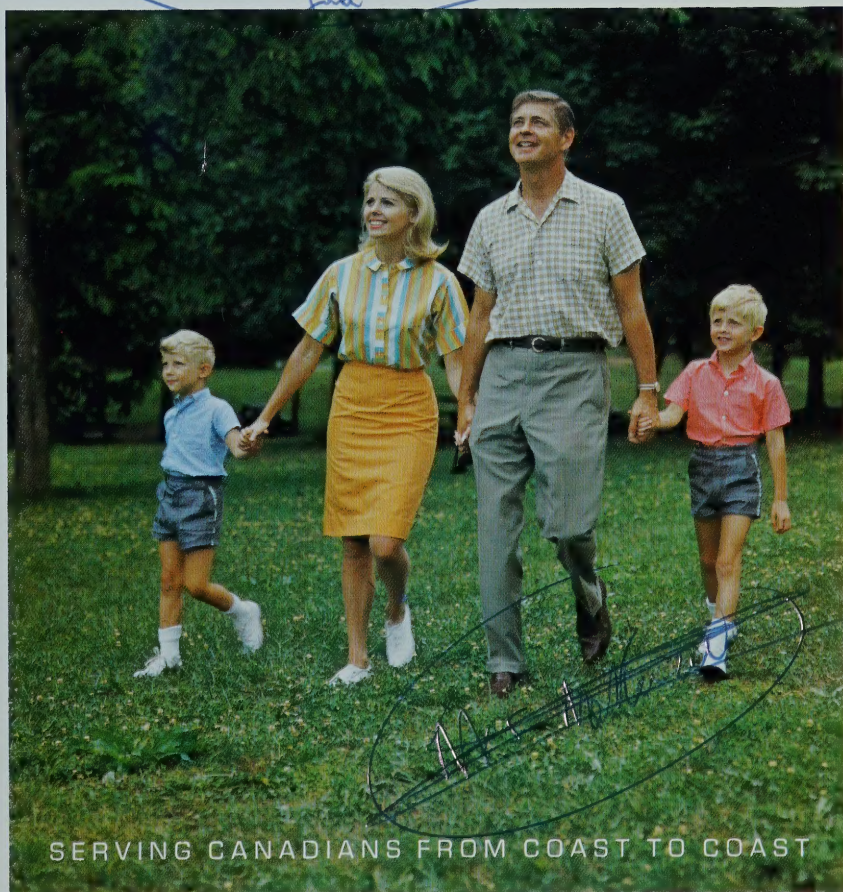


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GAMBLE MACLEOD LIMITED

ANNUAL REPORT 1968

For the year ended January 25th, 1969



GAMBLE MACLEOD LIMITED

1530 GAMBLE PLACE, WINNIPEG 19, MANITOBA

DIRECTORS

J. B. CHEYNE	B. F. RUTHERFORD
B. F. DAVIDSON	A. C. SHEDDEN
P. C. FIKKAN	R. B. SUTHERLAND
B. C. GAMBLE	J. W. TACKABERRY
A. G. KIRKNESS	HON. G. S. THORVALDSON, Q.C.
C. C. RAUGUST	S. P. WOOLEVER

OFFICERS

A. G. KIRKNESS, President
P. C. FIKKAN, Executive Vice-President
J. B. CHEYNE, Vice-President for Merchandising
J. L. MacDONALD, C.A., Vice-President and Treasurer
W. R. TEMPLIN, Vice-President and Secretary
C. C. RAUGUST, Vice-President
J. W. TACKABERRY, Vice-President
B. F. DAVIDSON, Assistant Secretary
B. F. RUTHERFORD, President, Macleods
R. B. SUTHERLAND, President, Marshall Wells Limited
S. P. WOOLEVER, President, Stedmans

BUYING OFFICES

1530 Gamble Place, Winnipeg 19, Manitoba
1395 Ellice Avenue, Winnipeg 21, Manitoba
136 Portland Street, Toronto 2B, Ontario
1118 St. Catherine Street W., Montreal, Quebec

BANKERS

THE BANK OF NOVA SCOTIA
Winnipeg, Manitoba - Toronto, Ontario

TRUSTEES

MONTREAL TRUST COMPANY
Winnipeg, Manitoba - Toronto, Ontario

Macleod Stedman Limited
6% Sinking Fund Debenture

CANADA PERMANENT TRUST COMPANY
Winnipeg, Manitoba - Toronto, Ontario

Gamble of Canada Properties Limited
7 $\frac{5}{8}$ % Series A Secured Note

Macleod's Store Properties Limited
6 $\frac{1}{4}$ % Series A, 5 $\frac{7}{8}$ % Series B
First Mortgage Sinking Fund Bonds

Marshall Wells Realty Limited
8 $\frac{3}{4}$ % Series A Secured Note

Sorenco Limited
6 $\frac{3}{4}$ % Series A Secured Note

PRESIDENT'S MESSAGE

During 1968 progress continued to be made in the company's long-range planning.

In merchandising additional staff appointments were made to increase the effectiveness of the company's entry into the urban and suburban marketing fields. Further steps were taken to consolidate and coordinate buying operations conducted in all operating divisions.

Staff appointments in operations were also made which will facilitate the coordination program being planned in the warehousing and distribution functions of the company's activities. During the year further application of systems and procedures to Electronic Data Processing were made. Additional changes were also planned in the retail credit programs of the company and their eventual conversion to computer handling.

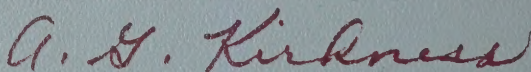
The trend from short-term to long-term financing was also continued in the face of substantially increased rates for long-term borrowing. While this has an adverse effect on current profits, the long-run benefits make such a program advisable.

These developmental costs resulted in a decline in net income from the previous year despite sales rising to the highest level in the company's history.

The problems of changing markets are inherent in the industry. Coping with change incurs expense that must be considered as an investment in the future. We are convinced that our investment in new marketing programs conducted through larger stores in centres of more heavily concentrated population will result in increased profitability for the company.

We extend our thanks for past results and in anticipation of continued cooperation and support of all who continued to make our progress possible — our retail and franchise customers, our suppliers and our people in all divisions of the company.

On behalf of the Board.



A.G. KIRKNESS.

REVIEW OF THE YEAR

Sales

Consolidated net sales reached a record high for the fiscal year ended January 25, 1969 of \$180,077,251 an increase of 1.2%. Larger stores in all the company's divisions operating in areas of concentrated population made the greatest contribution to the sales results.

Earnings

Earnings for the year of \$4,899,019 were subject to the cost of modernization and development already commented on together with economic factors as reviewed by the divisional presidents in the comments which follow. While earning results were not as satisfactory as the previous years, they represent a return on shareholders' equity of 13.4%.

Financing

Additional long-term financing arrangements were made during the year through a private placement of a 25 year 8¾% note secured by real property owned by Marshall Wells Realty Limited. This company is a wholly owned real estate subsidiary of Marshall Wells Limited and the financing is reflected in the consolidated balance sheet.

The value of installment contracts owned by the company's unconsolidated finance subsidiary, Growth Acceptance Corporation Limited, declined slightly from \$17,710,845 to \$17,331,487.

Financing of the company's revolving credit sales through the finance company will be arranged during the coming year.

Pension Plans

Contributions by the company to the employees profit sharing pension plans increased to a new record high during the year. Including contributions to Canada and Quebec pension plans \$1,326,030 was contributed from company profits this year compared with \$1,312,562 in the previous year. Total value of funds held in trust at the end of the fiscal year was \$12,962,225. The funds are invested in a broadly diversified group of equity and fixed income securities of Canadian governments and corporations.

Franchising

During the year a policy was adopted that will accelerate changes currently being made in the marketing philosophy of the company. In order to shift the human and physical resources of the company to those areas where potential future growth will be greatest, a number of company owned stores in predominantly rural areas will be converted to franchise store operations. This decision follows the long-range planning of the company to continue studies and research in all areas where it appears that changes can be made to develop greater long-term profitability for both the company and its independent franchised merchants.

CLARK'S-GAMBLE OF CANADA LIMITED

The past year was one of extensive reorganization and change for the company. There was a small decline in sales, resulting from increased competition in the Manitoba market and a general slowing in the Prairie economy. This along with increased mark-downs caused by restructuring basic lines of merchandise resulted in a reduction in net income from the previous year.

Several changes were made at all management levels and additional administrative positions were created in the merchandising and operational functions of the company which have strengthened the organization for the future.

These changes resulted in an overall program of upgrading and realigning stores together with adjustments in the merchandise mix and the introduction of new marketing concepts.

Substantial innovations were made in operating systems and methods which created the need for expanded training programs at all levels of management and staff. Programs have been planned to continue to modify and improve operations which will be continued during this year.

Expansion plans have been continuing and a new store will be opened in Oshawa, Ontario early in the new fiscal year which will result in a 24% increase in store selling space.

During 1968 a decision was made to change the company's trading name from "Clark's" to "Gambles." This new symbol will identify the division more closely with the Canadian parent, but more important with the total corporate complex. This will provide a stronger promotional base on which the company can expand its Canadian operations.

P. C. FIKKAN
President.

GAMBLE DRUGS LIMITED

Continued progress has been made after a third year of operation. Sales increased 40% over the previous year.

Twenty franchise stores are now in operation as Super Thrifty Drug Centres. A strong program has been developed to increase this membership. Plans are to have thirty-five Super Thrifty franchised stores by 1970. This franchise plan provides a complete merchandising program, giving the druggist the opportunity of gaining the advantage of large scale operations while remaining independent.

Continued rigid controls on inventory, collections and expenses will be maintained throughout the year. Increased volume from Super Thrifty franchised stores and hospitals should produce the sales results that have been planned for the coming year.

J. B. CHEYNE
President.

MACLEODS

Division of MacLeod Stedman Limited

With the Prairie economy feeling the effect of adverse weather conditions, an over supply condition in world wheat markets and lower farm cash income, sales increased 3% over the previous year.

Upward pressure on costs continued as rising rates of wages, interest, postage and business and property taxes increased more rapidly than sales resulting in a small reduction in operating income from the previous year.

It appears that similar economic conditions will continue during the coming year and there will be continued increasing competition in the industry.

To meet these challenges, emphasis will remain on the program of dynamic change which has been taking place in the company's concept of merchandising in the past few years.

During the past year further organizational changes were made in the company's buying department. Advertising programs have been stepped up, redesigned and tailored to the market in each trade territory for greater impact. Experienced field merchandisers are working with store personnel to improve product knowledge and merchandising methods. Steps have been taken to improve staff training programs in stores, warehouses and offices.

Progress continues to be made in company trucking programs, inventory management procedures and increased use of computer facilities by further extending applications of company operations to Electronic Data Processing equipment.

At the end of the fiscal year 240 stores were serving customers from the Lakehead to central British Columbia, 160 of these are franchised dealers and 80 are company owned stores. Stores continue to be enlarged and upgraded with sales floor area in dealer stores increasing 12% during the year as 14 independent franchise dealers undertook major expansions. Over 85,000 square feet of selling space was added to company owned stores with eleven being remodelled and expanded during the year. One store was closed and a new branch was opened at Vernon, British Columbia.

Plans for 1969 include a 15% increase in sales floor area in franchise stores and 13% in company owned stores as the expansion program planned several years ago continues to meet the rapidly changing conditions in the retail business.

B. F. RUTHERFORD

President.

MARSHALL WELLS LIMITED

The pressure of an inflationary economy on costs and the intense retail competition which existed during 1968 were met with well-planned operating and merchandising programs. These prevented any serious inroads on profits which, while below last year, were only 1% less than the amount planned at the beginning of the year.

During the year 11 new Marshall Wells franchise stores were opened and 28 ownership changes were developed to upgrade representation in the areas served. Average yearly purchases of franchise stores continue to rise and have increased 25% during the past three years.

The 38 Marshall Wells corporate stores continue their upward trend in sales. To accelerate this growth, a program of expansion as well as a study of new and desirable locations is underway. This may result in the transfer of some of the existing stores to franchise operations in areas where this will be more profitable.

The industrial division continues to benefit from the growing activity in the building trade. The specialization program entered into three years ago has increased participation in this market which is producing a steady increase in sales.

Currently, plans for 1969 provide a sound basis for growth and operating objectives are aimed at a higher return on invested capital. The year begins with 10 Marshall Wells franchise operators signed in locations approved for new store openings. Applications are pending for an additional 22 prospective dealers.

The Builders' Contract Department has been expanded to better service the growing builders market. Plans are underway to expand the Steel Division on the West Coast to take advantage of the ever-increasing industrial activity in that area.

The lack of participation in the urban retail market has been of concern to the company. A market study is currently underway and full advantage will be taken of the opportunities available in these highly populated areas during 1969.

A Personnel Department has been established which will be responsible to develop sound training programs and attend to the progress of people who are vital to the success of the company.

Retail sales in the agricultural areas of the Prairie Provinces will, undoubtedly, feel the impact of the grain situation during the coming year. Fortunately, the company is well-diversified covering a broad area. With plans to enter new markets and to expand in prospering areas the challenges of the company year will be met with confidence.

R. B. SUTHERLAND
President.

STEDMANS

Division of MacLeod Stedman Limited

Total sales increased 2% for the year with all the increased volume being developed from the Junior Department Store class of outlet which showed a sales increase of 13%. Sales in conventional Variety Stores remained at much the same level as the previous year. Despite rising costs and operating expenses this sales increase produced an 11% increase in operating income.

During the year administrative functions were realigned with new management appointments being made in the areas of operations, merchandising and control. Conversion to the first phase of a computerized management information system took place in January, 1969. This will provide basic information to implement inventory management programs and operating efficiencies in the future.

With economic conditions generally satisfactory in the markets in which the company operates, plans have been made for an improved sales and profit result.

Construction will begin on a new distribution centre and office in Toronto which will provide 265,000 square feet of warehouse space and 42,000 square feet of modern offices. This will permit improvement in the service level for stores and will allow an aggressive dealer expansion program to be undertaken.

Twenty-five dealers plan modernization or expansion programs and eight new dealer outlets will be added during 1969. Together with this, sixteen company owned stores in larger communities will be modernized or enlarged. Total additional selling space of 110,000 square feet will be provided by these programs. At the same time, forty company owned stores in smaller communities with lower sales potential will be modernized and subsequently franchised to better utilize capital and improve return on investment.

Increased emphasis will be placed on market research and analysis. Merchandise assortments will be reviewed and revised to provide higher turnover and improved return on inventory investment. Merchandising activities will be supported by an aggressive sales promotional program which should increase sales growth and profit performance.

Plans have been made for the employment of a Personnel Director to be responsible for the development and effective employment of human resources necessary to ensure this accelerated growth.

Significant changes occurred during the past year and are planned to continue during the coming year. From these changes benefits will accrue in the future. The objective is to build a more aggressive retail organization in the competitive environment in which the company operates.

S. P. WOOLEVER

President.

PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS

500 - 287 BROADWAY AVENUE

WINNIPEG 1, MANITOBA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Gamble Macleod Limited and subsidiaries as of January 25, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the fifty-two weeks then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at January 25, 1969 and the results of their operations and the source and application of their funds for the fifty-two weeks then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Peat, Marwick, Mitchell & Co.

Winnipeg, Manitoba

March 13, 1969.

Chartered Accountants.

GAMBLE MACLEOD LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Note 1)

January 25, 1969 with comparative figures for 1968

ASSETS

	1969	1968
Current Assets:		
Cash	\$ 536,349	\$ 1,915,048
Customers' charge and instalment accounts less allowance for doubtful accounts and unearned interest \$1,788,871 (1968 — \$1,883,955)	13,590,495	11,626,641
Note receivable	515,000	50,000
Due from parent company, Gamble-Skogmo, Inc.	9,120,128	-----
Proceeds of sale of mortgaged properties recoverable from Trustee for the bondholders	-----	253,689
Inventories, at the lower of cost or net realizable value	42,893,080	41,160,242
Prepaid expenses	570,068	379,206
Total current assets	67,225,120	55,384,826
Special refundable tax	99,858	242,679
Note receivable	-----	605,250
Investments:		
Wholly-owned subsidiary not consolidated, at cost plus retained earnings (note 1):		
Growth Acceptance Corporation Limited	733,827	688,692
Cash surrender value of life insurance	130,616	116,941
Other, at cost	778,653	766,912
	1,643,096	1,572,545
Fixed assets, at cost less accumulated depreciation and amortization (note 2):		
Buildings and equipment	16,714,306	16,553,789
Leasehold improvements	576,026	692,717
Land	3,797,477	3,734,285
Net fixed assets	21,087,809	20,980,791
Proceeds of sale of properties held by Trustee for the bondholders	-----	573,366
Unamortized debt discount and issue expenses	855,263	870,581
Excess of cost of subsidiaries over equity at date of acquisition	8,930,348	8,930,374
	\$99,841,494	\$89,160,412

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
Current Liabilities:		
Accounts payable and accrued expenses	\$11,478,395	\$11,428,767
Income taxes payable	2,008,306	1,940,411
Accrued contributions to retirement security plan	1,060,565	1,042,345
Due to parent company, Gamble-Skogmo, Inc.		15,862
Current portion of long-term debt	379,793	410,657
Total current liabilities	14,927,059	14,838,042
Long-term debt (note 3)	43,434,532	37,737,326
Minority interest in consolidated subsidiaries	187,724	191,884
Shareholders' equity:		
Capital stock:		
Cumulative redeemable first preference shares of the par value of \$20 each.		
Authorized 140,000 shares; none issued		
Class A non-voting shares without nominal or par value.		
Authorized 740,000 shares; issued 290,000 shares	72,500	72,500
Class B shares without nominal or par value.		
Authorized and issued 10,000 shares	2,500	2,500
	75,000	75,000
Retained earnings	41,217,179	36,318,160
Total shareholders' equity	41,292,179	36,393,160
	\$99,841,494	\$89,160,412

Lease commitments (note 4)

On behalf of the Board:

A. G. KIRKNESS, Director
C. C. RAUGUST, Director

GAMBLE MACLEOD LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Fifty-two weeks ended January 25, 1969
with comparative figures for 1968

	1969	1968
Sales	\$180,077,251	\$178,022,215
Income before charging the following items	16,542,414	17,455,328
Directors' remuneration	255,372	252,016
Legal and corporate expenses	144,681	244,461
Depreciation	1,670,915	1,626,296
Amortization of leasehold improvements	92,272	69,383
	2,163,240	2,192,156
Operating income	14,379,174	15,263,172
Other income:		
Dividends	15,000	15,000
Interest	294,151	168,068
Equity in income of Growth Acceptance Corporation Limited	65,134	60,198
Gain on sale of fixed assets	11,302	122,013
	385,587	365,279
Other deductions:		
Provision for contributions to retirement security plan	1,086,070	1,086,447
Interest—long-term debt	2,576,726	2,264,363
—other	524,994	794,354
Amortization of debt discount and issue expenses	53,830	52,537
	4,241,620	4,197,701
	10,523,141	11,430,750
Income taxes	5,611,571	6,006,301
	4,911,570	5,424,449
Minority interest in income of subsidiaries	12,551	827
Net income	4,899,019	5,423,622
Retained earnings, beginning of period	36,318,160	30,894,538
Retained earnings, end of period	\$ 41,217,179	\$ 36,318,160

See accompanying notes to consolidated financial statements.

GAMBLE MACLEOD LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Fifty-two weeks ended January 25, 1969
with comparative figures for 1968

Funds provided:	1969	1968
Net income	\$ 4,899,019	\$ 5,423,622
Add charges not requiring cash expenditure:		
Depreciation and amortization of fixed assets	1,763,187	1,695,679
Amortization of long-term debt discount and issue expenses	55,630	52,537
Minority interest in income of subsidiaries	12,551	827
Allowance for doubtful long-term note receivable	90,249	140,000
	<u>6,820,636</u>	<u>7,312,665</u>
Deduct:		
Equity in income of Growth Acceptance Corporation Limited (note 1)	45,134	40,198
Gain on sale of fixed assets	11,302	122,013
	<u>56,436</u>	<u>162,211</u>
 Funds provided from operations	 6,764,200	 7,150,454
 Recovery of special refundable tax	 142,821	 5,325
Decrease in long-term note receivable	515,000	50,000
Proceeds from sale of fixed assets	782,225	1,701,236
Proceeds of life insurance policy		19,095
Issue of long-term debt less issue expenses	6,409,688	8,632,740
 Total funds provided	 <u>14,613,934</u>	 <u>17,558,850</u>
 Funds used:		
Increase in cash surrender value of life insurance	13,675	18,596
Purchase of fixed assets	2,067,762	3,295,381
Increase in investments	11,741	26,201
Repayment of long-term debt	752,794	6,025,176
Payment of dividends to minority shareholders	12,411	12,593
Purchase of additional shares of subsidiary company	4,274	2,575
 Total funds used	 <u>2,862,657</u>	 <u>9,380,522</u>
 Increase in working capital	 <u>\$ 11,751,277</u>	 <u>\$ 8,178,328</u>

See accompanying notes to consolidated financial statements.

GAMBLE MACLEOD LIMITED AND SUBSIDIARIES

10 YEAR COMPARISON

	1969	1968	1967	1966 ⁽¹⁾
SALES	\$180,077,251	\$178,022,215	\$175,451,794	\$157,779,780
INCOME FROM OPERATIONS	10,484,288	11,292,910	12,319,823	10,453,005
INCOME FROM INVESTMENTS	15,000	15,000	15,000	2,124,911
CAPITAL GAINS	11,302	122,013	103,760	17,817
INCOME BEFORE INCOME TAXES	10,510,590	11,429,923	12,438,583	12,595,733
INCOME TAXES	5,611,571	6,006,301	6,955,571	5,434,187
NET INCOME	4,899,019	5,423,622	5,483,012	7,161,546
WORKING CAPITAL	52,298,061	40,546,784	32,368,456	29,946,814
FUNDED DEBT	43,414,461	37,717,255	35,045,094	29,066,250
SHAREHOLDERS' EQUITY	41,292,179	36,393,160	30,969,538 ⁽³⁾	25,486,526 ⁽³⁾
DIVIDENDS PAID				
To Preferred Shareholders	—	—	—	—
To Common Shareholders	—	—	—	1,500,000
FUNDS RETAINED IN THE BUSINESS				
Income Retained	4,899,019	5,423,622	5,483,012	5,661,546
Depreciation	1,763,187	1,690,415	1,822,037	1,427,995
	6,662,206	7,114,037	7,305,049	7,089,541
VALUE OF EMPLOYEES RETIREMENT SECURITY PLAN TRUST FUND	12,962,225	11,715,702	10,704,282	10,071,108
NUMBER OF EMPLOYEES	4,685	4,798	4,738	4,416
NUMBER OF STORES				
Company Owned	261	266	265	262
Dealer Owned	635	641	638	622
	896	907	903	884

NOTE 1—The year 1966 reflects the results for the full year of all consolidated subsidiaries, and includes an amount of \$390,028 pre-acquisition earnings of a subsidiary acquired during the year.

NOTE 2—The year 1965 reflects the change in accounting period for Gamble Macleod Limited from a calendar year to a fiscal year ending January 31, and indicates the financial results of the company and its consolidated subsidiaries for the thirteen months ended January 31, 1966.

1965 ⁽²⁾	1963	1962	1961	1960	1959
\$149,495,772	\$127,387,540	\$116,761,004	\$106,907,914	\$106,802,165	\$112,213,019
11,058,506	9,570,930	8,868,225	7,278,470	7,425,628	8,489,044
216,176	1,525,325	59,775	264,575	367,275	444,887
549,179	—	—	(2,000)	3,063	393,744
11,823,861	11,096,255	8,928,000	7,541,045	7,795,966	9,327,675
6,072,246	4,954,434	4,605,661	3,701,804	3,804,614	4,299,513
5,751,615	6,141,821	4,322,339	3,839,241	3,991,352	5,028,162
35,114,620	35,694,761	32,889,715	30,535,508	28,144,416	27,011,981
35,801,875	8,718,500	9,064,500	9,471,500	10,019,000	10,225,000
29,103,046 ⁽³⁾	44,977,479	39,588,154	35,855,199	33,126,029	30,241,424
356,775	371,175	366,375	367,975	375,975	350,388
973,257	681,321	834,009	742,396	823,472	817,894
4,421,583	5,089,325	3,121,955	2,728,870	2,791,905	3,859,880
1,272,254	1,125,787	973,493	926,726	938,770	793,754
5,693,837	6,215,112	4,095,448	3,655,596	3,730,675	4,653,634
8,967,836	7,530,865	6,688,971	6,321,432	5,670,126	5,214,046
4,043	3,958	3,734	3,414	3,333	3,431
257	247	240	224	211	205
603	605	575	579	564	535
860	852	815	803	775	740

The consolidated net income has been restated from that previously reported to include for comparison the total income for the year of the consolidated subsidiaries but after deducting minority interest in profits of the subsidiaries. No provision for minority interests in profits of the subsidiaries has been reflected for the years 1959 to 1963.

NOTE 3—The Shareholders' equity for 1965 and subsequent years is after eliminating therefrom the equity acquired in consolidated subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 25, 1969

1. These financial statements represent a consolidation of the accounts of the parent company, Gamble Macleod Limited, and those of all subsidiary companies except Growth Acceptance Corporation Limited, a wholly-owned finance company which is excluded because its operations are not in the merchandising field. The net earnings of Growth Acceptance Corporation Limited from the date of acquisition to January 25, 1969 of \$335,526 less the dividends paid of \$101,699, have been added to the carrying value of the investment in the consolidated accounts. The net earnings of Growth Acceptance Corporation Limited for the fifty-two weeks ended January 25, 1969 amounted to \$65,134, and dividends paid during the year aggregated \$20,000.

2. Fixed assets, at cost less depreciation and amortization consist of:

	1969	1968
BUILDINGS AND EQUIPMENT:		
Buildings, at cost	\$16,759,268	15,834,787
Less accumulated depreciation	4,859,373	11,899,895
	<u>4,222,671</u>	<u>11,612,116</u>
Furniture and fixtures, at cost	11,729,659	12,079,187
Less accumulated depreciation	6,963,279	4,766,380
	<u>7,228,393</u>	<u>4,850,794</u>
Automotive equipment, at cost	173,847	235,080
Less accumulated depreciation	125,816	48,031
	<u>144,201</u>	<u>90,879</u>
	<u>\$16,714,306</u>	<u>16,553,789</u>
LEASEHOLD IMPROVEMENTS:		
at cost	\$ 974,131	1,219,932
Less accumulated amortization	398,105	\$ 576,026
	<u>\$ 576,026</u>	<u>527,215</u>
	<u>692,717</u>	

Depreciation has been provided on the diminishing balance method at the undernoted rates:

Buildings	substantially at 5%
Furniture and fixtures	20%
Automotive equipment	30%

Leasehold improvements are being amortized over the unexpired terms of the leases.

3. Long-term debt of the company and its subsidiaries consists of:

	1969	1968
GAMBLE MACLEOD LIMITED:		
Promissory note, 8% (6%—1968) (Payable \$3,000,000 U.S. in each of the years 1970 and 1971)	\$ 6,487,500	6,487,500

MACLEOD STEDMAN LIMITED:

6% Sinking Fund Debenture, due 1984. (Sinking fund requirements—\$1,000,000 annually in the years 1970 to 1984)	15,000,000	15,000,000
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MARSHALL WELLS LIMITED:

6% Sinking Fund Debenture, Series "A", due 1982 (Sinking fund requirements—\$300,000 annually to 1981, balance to be redeemed in 1982)	4,453,500	4,689,500
Various mortgages	20,071	22,824

MARSHALL WELLS REALTY LIMITED:

8¾% Series "A" Secured Note, due 1994. (Payable in quarterly instalments of principal and interest of \$159,405)	6,450,000	—
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MACLEODS STORE PROPERTIES LIMITED:

First Mortgage Bonds:		
6¼% Series "A", due December 1, 1980. (Sinking fund requirements — \$60,000 annually)	718,000	780,000
5⅞% Series "B", due March 1, 1985. Sinking fund requirements — \$135,000 annually	2,160,000	2,430,000

SORENCO LIMITED:

6¾% Series "A" Secured Notes, due May 1, 1987. (Principal amount \$4,901,178 U.S., repayable in quarterly instalments of principal and interest, \$113,468 U.S., to May 1, 1987) ..	5,168,173	5,304,759
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GAMBLE OF CANADA PROPERTIES LIMITED

7½% Series "A" Secured Notes, due November 1, 1987. (Repayable in quarterly instalments of principal and interest of \$83,991)	3,357,081	3,433,400
	<u>43,814,325</u>	<u>38,147,983</u>

LESS PORTION DUE WITHIN ONE YEAR INCLUDED IN CURRENT LIABILITIES

379,793	410,657
<u>\$43,434,532</u>	<u>37,737,326</u>

Long-term debt payable in United States currency has been reflected in the consolidated financial statements at the rates of exchange prevailing at the dates such liability was incurred, which are substantially the same as the rates prevailing at the balance sheet date.

4. The approximate minimum annual rentals of stores and warehouses under leases having terms in excess of five years at January 25, 1969 amounted to \$1,291,873.

